



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
DELAWARE STATE BUILDING
820 N. FRENCH STREET
WILMINGTON, DELAWARE 19801

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SEE TAX RULING
78-5

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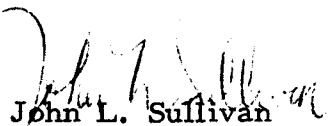
January 30, 1978

- New Jobs Tax Credit Under Federal Law
- Denial of Deduction for Wages Paid

The Federal Tax Reduction and Simplification Act of 1977 provides (Section 44 B, I. R. C.) a new jobs tax credit for Federal income tax purposes. The maximum credit allowable for each net new employee hired by an employer in 1977 is \$2,100 (50% of the first \$4,200 of wages paid under the Federal Unemployment Tax Act). The law (Section 280 C, I. R. C.) also provides that the ordinary business expense deduction for wages and salaries paid must be reduced by the amount of the credit claimed in computing Federal taxable income. In addition to corporations, partnerships, Subchapter S corporations, and trusts and estates are also eligible for the credit.

Since there is no provision in Delaware Law to allow the tax credit in computing Delaware tax liability, a question has been raised as to whether taxpayers claiming the new jobs tax credit for Federal purposes may adjust their taxable income for Delaware purposes by restoring that portion of the deduction for wages which is disallowed in computing their Federal taxable income.

Under Section 1903 (a), 30 Del. C., the starting point for computing Delaware taxable income is "Federal taxable income" with certain specified modifications and adjustments. Since the law does not provide for any adjustment or modification in respect of the Federal jobs tax credit, it is the position of the Division of Revenue that the deduction for wages disallowed on the Federal return cannot be restored in computing Delaware taxable income in the absence of specific legislation authorizing such adjustment.


John L. Sullivan
Director of Revenue

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